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# **A Future Unbound: The United States and India Relations**

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When I was thinking about this opportunity to discuss the United States and India relations I recalled the title of a book by Gurcharan Das, the former CEO of Proctor and Gamble India. Das wrote a sweeping economic history of India from independence to the new millennium entitled *India Unbound*, which many of you have no doubt heard of. In *India Unbound*, Das describes one of the most extraordinary international stories of the late twentieth century India's evolution from socialism and a state-planned economy to a vibrant free-market economy.

The transformation Das so eloquently describes has brought about remarkable economic growth in India, and that growth has in turn launched India onto the world stage as a rising global power. Within the first quarter of this century, India will likely be among the world's five largest economies, and an undisputed global technology leader. It will soon be the world's most populous nation, with a huge, skilled, and youthful workforce. It will continue to possess large and ever more sophisticated military forces that will remain strongly committed to the principle of civilian control. And it will serve as an example of, and a partner for, democracy to its neighbors and to developing countries in each part of the globe.

With this unleashing of India's potential has come the opportunity for a different relationship with the United States. President Clinton and President Bush have both sought to take advantage of this great change to build a new and fundamentally different United States and India relationship over the last decade. Instead of an adversarial relationship, we have a cooperative one which is bilaterally, regionally, and internationally. Where once we were constrained from working together by history, politics, and distance, now we are global partners, tied together at the most fundamental levels. Our partnership rests on a solid foundation of shared values, shared interests, and our increasingly shared geo-strategic view of how best to promote stability, security, and peace worldwide. To borrow Gurcharan Das's metaphor, our shared future is indeed unbound, and its possibilities are limitless. I believe that the U.S. and India will continue to create a global partnership that will become for the 21st century a force for stability and peace in Asia. I also believe we Americans will count India as among our most important strategic partners worldwide for the coming century. I would like to review the state of our relationship as I see it now, and as I see it in the future.

## **The Present**

We are witnessing between the American and Indian people an explosion of ties in culture, the arts, technology, and business. The relationship between two states is most often based on the quality of relations among its people.

## **People to People Ties**

For the last three years, India has sent more students to the United States than any other country, even China. There are over 76,000 Indian students in the United States this year. This will pay dividends for decades to come, as the ties these students create here in America will create lasting bonds between our countries. In keeping with our long-term partnership, Americans are seeking

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to understand India – its history, languages, cultures, and politics as never before. The number of American students attending Indian universities increased by 50 percent last year alone, and stands today at around 1,800. Our top universities, encouraged by recent decisions to open the Indian higher education sector to greater participation by foreign institutions, are setting up more partnerships and collaborative research programs with their Indian counterparts.

The growing number of Americans of Indian origin has now reached nearly 2.5 million. The Indian-American community is one of the most highly educated and highest-earning in the United States, and fosters important business, academic, and cross-cultural ties. The rate of legal immigrants from India who become American citizens has increased - from 56 percent in 1995 to 65 percent today. And, as we witnessed in 2006 with Congress' passage of the *Hyde Act*, the Indian-American community is making its voice felt here in Washington.

And this is not a one-way flow: many thousands of Americans now live and work in India, especially in Delhi, Mumbai, and Bangalore. To encourage even more contact between our people, the United States plans to open a new consulate in Hyderabad and also to build a new state-of-the-art American Center in New Delhi. I saw this first-hand in Hyderabad in December when I met with the local CEO of a U.S. high technology company who perfectly personifies this trend, he studied in the United States and helped grow a successful Silicon Valley company. Seeing the value of a bridge to India, he now manages a large and growing team in India that is keeping a U.S. company on the technological cutting edge.

Our strengthening ties have bolstered business confidence. India is welcoming more U.S. business delegations than ever before, including many sponsored by individual U.S. states. These state delegations have been successful not only at finding new export markets for their businesses, but also in enticing Indian companies to pursue investments and create jobs in these states.

## **Technology**

Both Indians and Americans have long been recognized as leading innovators in agriculture, information technology and high-tech fields, biomedical research, and biotechnology. Increasing the linkages of the U.S. and Indian knowledge base our scientists, engineers, researchers, academics, and our private sectors is key to our mutual economic growth and prosperity and a goal of our science and technology collaborations. Together, we are exploring a host of technological initiatives ranging from agriculture to civil nuclear power.

We are building closer ties in space exploration, satellite navigation, and in the space science arena. Through mechanisms such as the United States and India Working Group on Civil Space Cooperation, we are exploring the potential for cooperation in earth observation, satellite navigation and its application, space science, natural hazards research and disaster management support, and education and training in space.

We are providing U.S. instruments for India's lunar mission Chandrayaan-1. At a time when the United States has not scheduled a Ki-moon mission for many years, this is an opportunity to collaborate on efforts to understand earth's closest neighbor.

## **Agriculture**

While agriculture accounts for 20 percent of India's Gross Domestic Product, more than 60 percent of its people make their living through agricultural enterprises. Knowing how important agriculture is to the lives and livelihoods of Indians and Americans alike, President Bush and Prime Minister Singh launched the Agricultural Knowledge Initiative in July 2005. This initiative will provide \$100 million to encourage exchanges between American and Indian scientists and promote joint research to

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improve farming technology. Building on our earlier collaboration in India's Green Revolution forty years ago, the Agricultural Knowledge Initiative supports agriculture education, joint research, and capacity building projects including in the area of biotechnology.

### **Civil Nuclear Cooperation**

I met with Indian Foreign Secretary Shivshankar Menon Washington on May 1, 2007 to discuss the outstanding issues in our bilateral agreement for peaceful nuclear cooperation. We are making progress in our negotiations and hope to conclude this historic agreement very soon. Further to the passage by the U.S. Congress of the *Hyde Act* in December 2006, several other important steps are now necessary to realize full civil nuclear cooperation. We must negotiate a bilateral agreement for peaceful nuclear cooperation (known as the 123 Agreement), which Congress will need to approve. India must negotiate a safeguards agreement with the International Atomic Energy Agency, and the Nuclear Suppliers Group must grant India an exception for civil nuclear commerce.

The civil nuclear initiative will bolster nonproliferation efforts by bringing India closer to the international mainstream; enhancing energy security, helping reduce harmful emissions, and creating opportunities for American companies. Its successful implementation will help India meet its growing energy needs and will be a cornerstone of our partnership.

The civil nuclear agreement has become, in many ways, the symbolic centerpiece of our overall relationship. Like all good things, it will continue to require hard work and difficult compromises to reach completion. Despite some difficulties of late, I believe we will reach the mountaintop and realize the enormous promise of this breakthrough agreement.

### **Economics**

Underpinning our partnership in all these areas is the U.S.-India economic relationship. Since the wave of economic reforms initiated by then Finance Minister Singh's tenure in the early 1990s, Americans have looked to India as the next great opportunity, and Indian companies and entrepreneurs have responded with equal vigor. We both stand to gain by knitting together our two nations in a dense web of healthy economic interconnections. Our economic ties have expanded dramatically in the last decade our bilateral trade is growing over 20 percent per year and has doubled to \$32 billion since 2002. The United States is India's largest investor, with over \$6 billion of portfolio and foreign direct investment, and India has an estimated cumulative investment of over \$2 billion in this country. However, with every billion dollar increase in trade and investment, new commercial disputes are created. To some extent, this is inevitable new economic opportunities, reforms, and growth are reshaping Indian society. The Indian government's challenge is to mediate these changes, ensuring that this growth provides an equitable rise in the incomes of the average Indian. The Indian government must also ensure that new regulations or old red tape do not impede growth, and that foreign companies have a clear path to settling commercial disputes when they arise. The Indian government should also continue the economic reforms and liberalizations that have been the basis of India's economic boom so far.

In order to achieve sustained higher growth rates as well as broad rural development, India requires world-class airports, irrigation, and communications networks. It needs modern power grids, ports and highways and many other infrastructural improvements that could be vastly accelerated by greater investment, both public and private. Our focus is on facilitating and promoting foreign direct investment, enhancing bilateral consultations on reducing tariff and non-tariff barriers to trade in industrial goods, services, and agriculture, preventing the illicit use of the financial system, and strengthening India's regime for intellectual property rights.

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A key driver of our economic relationship has been the innovative CEO Forum which has brought to the table twenty top Indian and United States CEOs representing over a trillion dollars of capital. These CEOs provided a detailed set of policy and economic reform recommendations to President Bush and Prime Minister Singh that if implemented, would dramatically increase our bilateral trade and investment flows. At the CEO Forum Summit in New York last October 2006, attended by three U.S. cabinet secretaries and three Indian ministers, the U.S. government made progress in implementing these recommendations. We also heightened our engagement with the Indian government on issues related to the expansion of banking services in both countries. We pledged to implement an expedited license process for trade in dual-use items, known as the Trusted Customer program. Finally, we will hold extensive consultations with the Indian government and industry on data privacy standards to develop a framework of common practices in electronic commerce that will address data privacy standards to build confidence in the online marketplace.

For its part, the Indian government announced new initiatives designed to attract much-needed infrastructure investment in India. At the meeting, Citigroup and Blackstone agreed to launch a \$5 billion infrastructure investment fund in partnership with the Indian government. In addition, the Indian government renewed their commitment to resolve some legacy commercial disputes. In the next meeting of the CEO Forum, we plan to consolidate the progress we have made so far; we also hope that the Indian government will be able to address more of the CEOs' recommendations. And, we achieved an important symbolic breakthrough on a long-festering trade dispute. After eighteen years, we have begun importing Indian mangoes into the U.S. market. Mangoes - such an important part of Indians' daily lives - can now be enjoyed by ordinary American citizens, which speaks volumes about our deepening trade ties. Let us hope this is a harbinger of similar progress on our overall trade ties in the future.

## **The Future**

What does the future of our relationship hold? In the next year we will move forward in three principal areas:

### **Education**

We believe that education, especially higher education and research, is a key element in our bilateral and multilateral relationships. Under Secretary of State for Public Diplomacy and Public Affairs Karen Hughes recently led a delegation of presidents of major American universities on a visit to India. We are encouraged by the enthusiastic reception they received, and we are encouraged in our belief that our countries must strengthen our partnership in education.

We are in discussions with the government of India to renegotiate our bilateral Fulbright treaty in order to permit funding from the Indian government. The additional resources would permit this highly successful program to expand dramatically and would support funding for more Indian researchers and scholars to pursue their studies and research in the United States. We are also exploring collaboration on public-private technical training in the fields of information technology, communications, and public health in India both for Indians and for others such as Central Asians and Afghans.

### **Regional Cooperation**

India's emergence as a global power brings with it commensurate responsibility as a leader not only on regional issues but also on global ones such as promoting democracy and protecting the environment. Last year the United States and India launched our Global Democracy Initiative to promote democracy and development. We agreed to work closely in the region and globally by offering our experience and expertise for capacity building, training, and exchanges to third countries that request such assistance. India has demonstrated its commitment to democracy promotion

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by contributing \$10 million to the United Nations (U.N.) Democracy Fund. It is set to pledge an additional \$10 million.

As the world's sixth largest consumer of energy, India shares our interest in developing new, affordable, and cleaner forms of energy. We will work together through the United States and India Energy Dialogue to strengthen energy security by promoting the development of stable, affordable, and clean energy supplies. Diversifying India's energy sector will help it meet its ever-increasing energy needs and set an example for balancing economic growth with protection of the environment the key to sustainable development.

Both India and the United States are committed to strengthening energy security and promoting development of stable and efficient energy markets. We are cooperating through the Asia Pacific Partnership on Clean Development and Climate along with other countries in the region to promote the development of cleaner, cost-effective, and more efficient energy-production technologies. Both India and the U.S. understand full well that both of our countries have a larger responsibility to be part of the global effort to combat global climate change.

India is demonstrating a leadership role regarding avian influenza. It was one of the first countries to join the International Partnership on Avian and Pandemic Influenza and has agreed to host the Partnership's 2007 global conference this December 2006.

## **Security**

We have identified expanding defense relations and counter-terrorism cooperation as the next two big security initiatives between our countries. Growing military cooperation is becoming one of the most visible aspects of our bilateral relations. The 2005 Defense Framework is symbolic of a new era in closer military cooperation and sets forth a joint vision. The agreement reflects the increasing frequency, size, and complexity of military exercises between the Indian military and the United States. Our mutual interests also provide an environment for jointly addressing security and humanitarian issues, including disaster relief operations.

The presence of 42 U.S. defense firms in India during the Aero India show in Bangalore February 7 through 11, 2007, is evidence of our companies' willingness to invest in long-term relationships with Indian counterparts. The possibility of increased defense trade makes this a bright spot for future development. U.S. technology is highly advanced, and the Indians are strongly considering our defense industry to provide modern weapon systems such as the Multi-Role Combat Aircraft, anti-tank missiles, and long-range reconnaissance aircraft.

In keeping with our new relationship, our firms do not want to be merely suppliers to the Indian military, but also long-term partners during the modernization and development of India's defense industry. I hope very much that we will see a breakthrough in our defense relations in the next year. I believe American firms will be well-positioned to succeed in becoming major suppliers in the Indian market if the playing field is level.

We are also working together to combat the global scourge of terrorism. The 8th United States and India Counterterrorism Joint Working Group was held in New Delhi on February 28, 2007. India and the United States have many lessons learned to share with each other to confront this mutual threat. We have agreed to closer cooperation on terrorist financing, law enforcement, aviation security, and information sharing, as well as combating weapons of mass destruction terrorism and bioterrorism. India is a victim of terrorism, as is the U.S. We extend our condolences to the people of Hyderabad, who suffered in May 18, 2007 attack on the beautiful Mecca Masjid which I visited last December

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2006. The U.S. intends to strengthen its commitment to India to be a good partner in combating terrorist threats.

### **Conclusion**

The United States and India have an extraordinarily promising shared future. The multidimensional nature of our relationship, its range, and its depth all ensure that our ties will be enduring. With our shared future unbound, I am confident that we will be able to achieve the ambitious goals we have set out for our partnership. I believe the positive history of the 21st century will be written in large part by Indians and Americans together as we will stand together for the growth of democracy, free-market economies, and peace in Asia and around the world. When the history of our time in office is written, I am confident the great strategic leap forward in cementing the United States and India strategic partnership will count among the most important accomplishments of Presidents Bush and Clinton with Prime Minister Singh and his predecessors.